Steven J. Nataupsky (State Bar No. 155,913)
snataupsky@kmob.com
Boris Zelkind (State Bar No. 214,014)
boris.zelkind@kmob.com
Ali S. Razai (State Bar No. 246,922)
ali.razai@kmob.com
KNOBBE, MARTENS, OLSON & BEAR, LLP
550 West C Street, Suite 1200
San Diego, CA 92101
Telephone: (619) 235-8550
Facsimile: (619) 235-0176

Attorneys for Plaintiff and Counter-Defendant
I-FLOW CORPORATION

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

I-FLOW Corporation, a Delaware corporation Plaintiff, v. Zone Medical LLC, a California limited liability company, Defendant.	Civil Action No. 08cv0057 DMS (NLS) **PLAINTIFF'S OPPOSITION TO DEFENDANT'S MOTION TO DISMISS PURSUANT TO F.R.C.P. 12(B)(6) OR, IN THE ALTERNATIVE, MOTION TO STAY** Date: April 11 2008 Time: 1:30 pm Courtroom 10, 2nd Floor Honorable Dana M. Sabraw

Plaintiff I-Flow Corporation ("I-Flow") hereby opposes Defendant Zone Medical LLC's ("Zone") Motion To Dismiss Pursuant To F.R.C.P. 12(b)(6) Or, In The Alternative, Motion To Stay.

I. SUMMARY OF ARGUMENT

Defendant Zone is an independent legal entity that is actively infringing I-Flow's patent rights. I-Flow sued Zone for infringing I-Flow's U.S. Patent No. 5,284, 481 (the '481 patent) when it learned that Zone was marketing infusion pumps such as the SOLACE™ Infusion Pump ("Accused Solace Pump"). I-Flow has every right to enforce its patent rights against infringers that actively market the Accused Solace Pump. There is no basis in the pleadings to dismiss this action for failing to state a claim.

Zone's unsupported argument that it is in privity with Apex Medical Technologies ("Apex") does not warrant a dismissal of this action. This patent infringement case is not barred by the doctrine of claim splitting. Zone and Apex are two different entities, and there is no support for attorney argument to the contrary, within or outside the pleadings. The fact that Apex makes the Accused Solace Pump and Zone markets the Accused Solace Pump does not mean that Zone is in privity with Apex. Such common business arrangements do not create privity between parties and provide no support for attempting to dismiss legitimate efforts to protect one's intellectual property.

This case should not be stayed pending reexamination of the '481 patent because such a stay would not serve to benefit judicial economy and would prejudice I-Flow. I-Flow is moving to consolidate the related cases currently pending before this Court and principles of judicial economy dictate that the currently pending cases related to the same '481 patent and the same Accused Solace Pump move forward together.

II. STATEMENT OF FACTS

On June 29, 2007, I-FLOW filed a patent infringement action against Apex for infringing the '481 patent by using, selling, and offering for sale the Accused Solace Pump ("the Apex Case"). See Declaration of Boris Zelkind, Ex. A. The Apex Case also involves allegations of trade secret misappropriation, breach of confidence, common law and statutory unfair competition, in addition to the patent infringement cause of action. Zelkind Dec., Ex.B. The Apex Case is currently progressing through claim construction discovery pursuant to the Patent Local Rules. Zelkind Dec., ¶ 4.

Upon discovering that Zone was marketing the Accused Solace Pump, I-Flow promptly filed this patent infringement action on January 10, 2008, and filed a notice of related cases identifying the Apex Case as currently pending in this judicial district. In the complaint for patent infringement, I-Flow alleges that Zone is a limited liability company organized and existing under the laws of California. Complaint, ¶ 5. I-Flow further alleges that Zone markets the Accused Solace Pump in violation of the '481 patent. Complaint, ¶8. I-Flow is not aware of any corporate relationship between Zone and Apex.

The parties met and conferred regarding this motion and conducted an informal telephonic conference with the Court. In both instances, I-Flow emphasized the lack of any basis to support a motion to dismiss. Despite the sufficiency of I-Flow's Complaint, Zone has decided to pursue a Rule 12(b)(6) motion with no evidence to maintain such a motion other than unsupported arguments by Zone's counsel.

Due to the overlapping evidentiary issues between the present case and the related Apex Case, I-Flow will be shortly filing a motion to consolidate the related cases. Zone has refused to stipulate to such a consolidation. Zelkind Decl., ¶ 5.

III. ARGUMENT

A. A Motion To Dismiss Under Federal Rule Of Civil Procedure 12(B)(6) Tests The Sufficiency Of A Pleading And The Pleading, On Its Face, Sufficiently States A Claim For Patent Infringement.

A motion to dismiss under Rule 12(b)(6) tests the sufficiency of the pleading. *Navarro v. Block,* 250 F.3d 729, 732 (9th Cir.2001). The pleading must say enough to give the defendant "'fair notice of what the plaintiff's claim is and the grounds upon which it rests.'" *Tellabs, Inc. v. Makor Issues & Rights, Ltd.,* __ U.S. __, __, 127 S.Ct. 2499, 2507 (2007), quoting *Dura Pharms., Inc. v. Broudo,* 544 U.S. 336, 346-347 (2005). "[T]he issue is not whether the plaintiff will ultimately prevail, but whether [the plaintiff] is entitled to offer evidence to support [the plaintiff's] claim." *Usher v. City of Los Angeles,* 828 F.2d 556, 561 (9th Cir.1987). In reviewing a Rule 12(b)(6) motion, a court must take all allegations of fact as true and must construe all inferences from them in the light most favorable to the nonmoving party. *Thompson v. Davis,* 295 F.3d 890, 895 (9th Cir.2002); *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336 (9th Cir.1996).

In ruling on a Rule 12(b)(6) motion, a district court is confined to facts alleged in the complaint, documents attached to the complaint, and matters of which the Court takes judicial notice. *Single Chip Systems Corp. v. Intermec IP Corp.*, 495 F.Supp2d 1052, 1062 (S.D. Cal. 2007). Furthermore, "[a]ttorney arguments cannot be offered as evidence in any proceeding, and therefore [a] Court cannot consider factual evidence that are only proffered by counsel, and not explicitly present in either the complaint or any document attached to the complaint." *Id.* In this case, I-Flow's Complaint properly states a claim for patent infringement against a defendant that is accused of marketing an allegedly infringing product.

I-Flow alleges that Zone is an autonomous legal entity. Complaint ¶ 5. "ZONE is a limited liability company organized and existing under the law of California . . . ." *Id.* I-Flow is unaware of any corporate relationship between Zone and Apex, and makes no such assertions in the pleadings.

Zone and Apex are different entities accused of their own distinct acts of infringement. In the related Apex Case, Apex is accused of making and selling the Accused Solace Pump, and, in this case, Zone is accused of marketing the Accused Solace Pump. There is nothing in the record before the Court to indicate any legal connection between Zone and Apex. Taking the assertions of the Complaint as true and construing all inferences in a light most favorable to I-Flow, there can be no dispute that the Complaint sufficiently states a claim for patent infringement against Zone.

Zone relies on unsupported arguments of its counsel to assert some kind of privity relationship between Zone and Apex. Motion at p.8. However, such attorney agument has no support in the pleadings and is outside the scope of a Rule 12(b)(6) motion.

/ / /

B. I-FLOW's Cause Of Action Is Not Barred By The Doctrine Of Claim Splitting Because Zone Is Not In Privity With Apex

Claim splitting bars a party from subsequent litigation where the "same controversy" exists. *Single Chip Systems Corp. v Intermec IP Corp.*, 495 F.Supp.2d 1052, 1058 (S.D. Cal. 2007). The main purpose of claim splitting is to prevent duplicative action where the same party is being sued for the same cause of action and relief in a separate lawsuit, *i.e.* splitting the claim. *Adams v. California Dept. of Health Services,* 487 F.3d 684, 689 (9th Cir. 2007). However, Zone is not a party in the related Apex Case, and Zone and Apex are not the same entity

To determine whether claim splitting applies, the Ninth Circuit borrows from the test for res judicata. *Id.* The doctrine of res judicata requires that the same parties, or their privies, be involved in the prior litigation. *Cent. Delta Water Agency v. United States,* 306 F.3d 938, 952 (9th Cir. 2002) (citing *Blonder-Tounge Labs. v. Univ. of Ill. Found.*, 402 U.S. 313, 323-24 (1971)). In the Ninth Circuit, "'[p]rivity' – for the purposes of res judicata - is a legal conclusion 'designating a person so identified in interest with a party to former litigation that he represents precisely the same right in respect to the subject matter involved.'" *In re Schimmels*, 127 F.3d 875, 881 (9th Cir. 1997) (quoting *Southwest Airlines Co. v. Texas International Airlines, Inc.*, 546 F.2d 84, 94 (5th Cir. 1977)). There is no support in the record before the Court for the argument that Zone is in privity with Apex, and, thus, the doctrine of claim splitting does not apply.

1. Zone And Apex Are Not In Privity Under Traditional Privity Relationships

Zone has provided no facts to support the assertion that it is in privity with Apex under the traditional understanding of the term. Privity, traditionally, arose from a limited number of legal relationships in which two parties had identical or transferred rights with respect to a particular legal interest. *Headwaters Inc. v. U.S. Forest Service,* 399 F.3d 1047, 1053 (9th Cir. 2005). These traditional relationships included: co-owners and co-tenants of property; decedents and their heirs, successors in interest and survival claimants; bailors and bailees; joint obligees; assignors and assignees; parties to a contract, and in some cases promisees and third-party beneficiaries; indemnitors and indemnitees; corporations and their officers or shareholders; partners and their partnerships; and unincorporated associations and their members. *Id.* Zone does not assert any such relationship. I-Flow is not aware of any such relationship between Zone and Apex and has not alleged any such relationship in the Complaint. Taking all factual assertions as true and construing all inferences in a light most favorable to I-Flow, the allegations found in I-Flow's complaint create no privity with Apex under the traditional meaning of the term.

2. Zone and Apex are Not in Privity as Virtual Representatives

Zone has pointed to no facts to support the assertion that it is in privity as a "virtual representative." While privity was traditionally limited to several well-defined categories, recent cases apply the privity concept in a more flexible manner under the heading "virtual representation." *Kourtis v Cameron,* 419 F.3d 989, 996 (9th Cir. 2005). The Ninth Circuit has found that "a close relationship, substantial participation, and tactical maneuvering all support a finding of virtual representation; identity of interests and adequate representation are necessary to such a finding." *Irwin v. Mascott*, 370 F.3d 924, 930 (9th Cir. 2004). Defendant has not pointed to factual assertions in the Complaint to demonstrate such a close relationship, substantial participation, or tactical maneuvering between itself and Apex.

Zone has asserted that "Zone and Apex clearly 'represent[] precisely the same right in respect to the subject matter involved.'" Motion at p. 8. However, Defendant points only to the fact that it is accused of infringing the same patent with the same product as Apex. *Id.* "[P]arallel legal interests alone, identical or otherwise, are not sufficient to establish privity ...." *Headwaters,* 399 F.3d at 1054; *see also Favish v. Office of Indep. Counsel,* 217 F.3d 1168, 1171 (9th Cir. 2000) (refusing to find privity where the former and present litigants shared only "an abstract interest in enforcement" of the same legal requirement) (quoting *United States v. ITT Rayonier, Inc.*, 627 F.2d 996, 1003 (9th Cir. 1980)). In this motion, Zone has simply asserted a parallel legal interest with Apex in the '481 patent. The mere fact that Apex makes the accused product and Zone sells the accused product does not create privity. Such a result would mean that every distributor of a product would be in privity with the maker of a product, and as such, every distributor of a product, under the doctrines of claim splitting and res judicata would be bound by a judgment against the maker of the product. Under this theory, every distributor would lose its due process right to present a separate defense. Such a result is untenable.

3. **Zone's Reliance on *Single Chip* and *Adams* Is Misplaced**

Single Chip can be distinguished from the present action on the facts. In *Single Chip*, Single Chip Systems and Neology, S. de R.L. de C.V. were named parties in a patent infringement action against TransCore. *Single Chip Systems*, 495 F.Supp.2d at 1055. TransCore subsequently filed a new patent infringement cause of action naming Neology, Inc. as the sole defendant. *Id.* at 1056. The court dismissed the cause of action against Neology, Inc., determining that Neology, Inc. was virtually represented and thus in privity with Neology, S. de R.L. de C.V. from the first action. *Id.* at 1064. Moreover, Neology, Inc. was actively participating in the first suit. *Id.* Unlike, Single Chip, Zone is not related to Apex and has not actively participated in the related Apex Case.

Likewise, the present action can be distinguished from *Adams*. In *Adams* the court dismissed a second cause of action under Rule 12(b)(6) after finding that the parties in the second suit were virtually represented by parties in the first suit. *Adams,* 487 F.3d at 691. However, the parties to the second suit were employees or agents of the parties in the first action. *Id.* at 691-692. Moreover, the parties to the second action were involved in the acts that gave rise to the first suit and participated in the first action by submitting declarations. *Id.* at 689-692. In this case, unlike *Adams*, I-FLOW has not alleged that Zone is an employee or agent of Apex, and Zone is not involved in the facts that gave rise to the related Apex Case and has not participated in that case. Thus, there is no virtual representation between Zone and Apex. Having failed to establish privity, Zone's claim splitting theory cannot survive.

///

///

///

C. A Stay Of The litigation Is Improper Here Because It Would Waste Judicial Resources And Cause Prejudice To Plaintiff

1. Staying This Case Would Not Simplify The Issues Before The Court

The Federal Circuit has explained that district courts are not required to stay judicial resolution in view of a reexamination proceeding as they have discretion in determining whether a stay is appropriate. *Viskase Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001). In exercising this discretion, courts have considered three factors: (1) whether a stay would simplify the issues in question and trial of the case; (2) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party; and (3) whether discovery is complete and whether a trial date has been set. *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1380 (N.D. Cal. 1994). As discussed more fully in I-Flow's contemporaneously filed brief opposing a stay in the related Apex Case, imposition of the stay would result in substantial duplication of effort in any separate trials, taxing judicial resources and failing to simplify the issues.

I-Flow's opposition to the motion to stay the patent related claim in the Apex Case describes the overlapping evidentiary issues involved in the multiple causes of action involved in the Apex Case. All of the causes of action in the Apex Case relate to the Accused Solace Pump, and, thus, separating trial would not serve to the interests of judicial economy. Likewise, the present action involves the Accused Solace Pump, and conducting a separate trial would involve duplication of judicial effort.

Moreover, the patent infringement claims of the related cases involve the same '481 patent and the same Accused Solace Pump. Therefore, I-Flow is moving to consolidate the related cases.[1] If the motion to stay the patent cause of action in the related Apex Case is denied, a stay of the litigation against Zone would present substantial duplication of judicial effort in separately trying these related patent issues. Specifically, witness testimony, expert

---

'[1] I-Flow has sought consent to file a stipulation to consolidate the related cases, but Defendant has not refused to grant such consent.

opinions, exhibits, and other evidence required for the trial of the patent infringement claims alleged against Zone contain significant overlap with that which would be required to adjudicate the patent infringement cause of action in the related Apex Case. This significant overlap makes the separate trials inefficient and a waste of judicial resources. Thus, a grant of a stay, in the alternative, would not simplify the issues in question in this case

2. The Motion To Stay Would Prejudice I-Flow And Cause Needless Delay

The second factor of the analysis also weighs against a stay of this Case. I-Flow would suffer prejudice if this patent case were held in abeyance based upon the pending reexamination request. Defendant Zone is continuing their effort to market the Accused Solace Pump. With every infringing sale, irreparable harm is done to I-Flow's relationship in the market. I-Flow has the statutory right to pursue infringers, to recover damages and obtain injunctive relief for such infringement. In fact, the primary value of a patent is the statutory right to exclude. *See H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987), *abrogated on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995). A stay of this litigation would further delay I-Flow's ability to pursue these statutory rights and remedies.

IV. CONCLUSION

For all of the foregoing reasons, I-Flow respectfully requests the Zone's Motion to dismiss and in the alternative to stay be denied.

Respectfully submitted,

KNOBBE, MARTENS, OLSON & BEAR, LLP

Dated: February 29, 2008

By: s/Boris Zelkind
Steven J. Nataupsky
Boris Zelkind
Ali S. Razai

Attorneys for Plaintiff I-FLOW CORPORATION

IFLOWL.261L

PROOF OF SERVICE

I am a citizen of the United States of America and I am employed in San Diego, California. I am over the age of 18 and not a party to the within action. My business address is 550 West C Street, San Diego, California. On February 29, 2008, I caused **DEFENDANT'S OPPOSITION TO PLAINTIFF'S MOTION TO DISMISS PURUSANT TO F.R.C.P. 12(B)(6) OR, IN THE ALTERNATIVE, MOTION TO STAY** to be electronically filed with the Clerk of the Court using the CM/ECF system which will send electronic notification of such filing to the following person(s):

Ralph B. Kalfayan, Esq.
KRAUSE, KALFAYAN, BENINK & SLAVENS LLP
rkalfayan@kkbs-law.com

Norbert Stahl, Esq.
STAHL LAW FIRM
nstahl@patentlawservice.com

I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on February 29, 2008 at San Diego, California.

Megan Ptacin

4829068
013108